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**Caddo Parish Fire District No. 2
Shreveport, Louisiana
Financial Statements With Auditor's Report**

As of and for the Fourteen Month Period Ended December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/15/06

Caddo Parish Fire District No. 2
Shreveport, Louisiana

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to the Financial Statements	8 – 16
Required Supplementary Information	
Budgetary Comparison Schedule	17
Notes to Required Supplementary Information	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedules For Louisiana Legislative Auditor	
Summary Schedule of Prior Year Audit Findings	20
Corrective Action Plan For Current Year Audit Findings	20 – 22

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Independent Auditors' Report

Caddo Parish Fire District No. 2
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the Caddo Parish Fire District No. 2, a component unit of the Caddo Parish Commission, as of and for the fourteen month period ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Caddo Parish Fire District No. 2's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Caddo Parish Fire District No. 2 as of December 31, 2005, and the changes in financial position for the fourteen month period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2006, on our consideration of Caddo Parish Fire District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 17-18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Caddo Parish Fire District No. 2 has not presented management's discussion and analysis, which is supplementary information required by accounting principles generally accepted in the United States of America, but is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
September 21, 2006

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Statement of Net Assets
December 31, 2005

ASSETS

Cash and cash equivalents	\$ 249,748
Receivables	240,949
Prepaid expenses	5,910
Deferred bond issuance costs	16,388
Capital assets (net)	1,102,068

Total assets	1,615,063
--------------	-----------

LIABILITIES

Accounts payable	11,574
Salaries and benefits payable	1,774
Accrued interest payable	7,630
Bonds payable -	
Portion due within one year	15,000
Portion due after one year	470,000

Total liabilities	505,978
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NET ASSETS

Investment in capital assets, net of related debt	617,068
Restricted for debt service	36,786
Unrestricted	455,231

Total net assets	\$ 1,109,085
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See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Statement of Activities
For the Fourteen Month Period Ended December 31, 2005

GOVERNMENTAL ACTIVITIES

Expenses:

Public Safety - Fire Protection:

Personal services	\$ 124,241
Materials and supplies	111,334
Travel	2,365
Repairs and maintenance	19,029
Depreciation	79,206
Interest	23,664
Other program services	52,480
Total expenses	<u>412,319</u>

Program revenues:

Capital grants and contributions	<u>164,770</u>
Net program expenses	(247,549)

General revenues:

Ad valorem taxes	330,527
Service charge	178,057
Interest Income	13,032
Miscellaneous revenues	24,001
Total general revenues	<u>545,617</u>

Change in net assets	298,068
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Net assets - beginning	<u>811,017</u>
Net assets - ending	<u>\$ 1,109,085</u>

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Balance Sheet
Governmental Funds
December 31, 2005

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Assets				
Cash and cash equivalents	\$ 249,403	\$	\$ 345	\$ 249,748
Receivables	204,864		36,085	240,949
Due from other fund			15,457	15,457
Total assets	<u>\$ 454,267</u>	<u>\$</u>	<u>\$ 51,887</u>	<u>\$ 506,154</u>
Liabilities				
Accounts payable	\$ 11,574	\$	\$	\$ 11,574
Accrued expenses	1,773			1,773
Deferred revenue	42,364		7,471	49,835
Due to other fund	15,457			15,457
Total liabilities	<u>71,168</u>	<u></u>	<u>7,471</u>	<u>78,639</u>
Fund balances				
Reserved - debt service			44,416	44,416
Unreserved	383,099			383,099
Total fund balances	<u>383,099</u>	<u></u>	<u>44,416</u>	<u>427,515</u>
Total liabilities and fund balances	<u>\$ 454,267</u>	<u>\$</u>	<u>\$ 51,887</u>	

Amounts reported for governmental activities in the statement of activities
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,102,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	49,835
Deferred bond issuance costs are capitalized and amortized over the life of the bond issue for the government-wide statements, but are reported as expenditures in the governmental funds.	16,388
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.	(492,631)
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	<u>5,910</u>
Net assets of governmental activities	<u>\$ 1,109,085</u>

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fourteen Month Period Ended December 31, 2005

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Revenues				
Ad valorem taxes	\$ 210,213	\$	\$ 70,480	\$ 280,693
Service charge	178,057			178,057
Intergovernmental				
Fire insurance rebate	5,941			5,941
State revenue sharing	4,298			4,298
Homeland Security grant	164,770			164,770
Donations and other income	13,762			13,762
Interest income	11,503	1,529		13,032
Total revenues	588,544	1,529	70,480	660,553
Expenditures				
Current:				
General government	8,130			8,130
Public Safety	304,074			304,074
Debt Service				
Principal			15,000	15,000
Interest and other charges			21,223	21,223
Capital outlay	108,987	190,307		299,294
Total expenditures	421,191	190,307	36,223	647,721
Excess of revenues over (under) expenditures	167,353	(188,778)	34,257	12,832
Fund balances at beginning of period	215,746	188,778	10,159	414,683
Fund balances at end of period	\$ 383,099	\$	\$ 44,416	\$ 427,515

See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fourteen Month Period Ended December 31, 2005

Net change in fund balances - total governmental funds	\$	12,832
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributions of assets (\$299,294) exceeded depreciation (\$79,206) in the current period.		220,088
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Bond issuance costs are capitalized and amortized over the life of the bond issue for the government-wide statements, but are reported as expenditures in the governmental funds.		(964)
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		2,755
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The repayment of principal of long-term debt consumes current financial resources of governmental funds.		15,000
--	--	--------

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		(1,478)
--	--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		49,835
--	--	--------

Change in net assets of governmental activities	\$	<u>298,068</u>
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See accompanying notes to the basic financial statements.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005

INTRODUCTION

The Caddo Parish Fire District No. 2 (the district) was created by the Caddo Parish Commission, as authorized by Louisiana Revised Statute (R.S.) 40:1492. The district is governed by a five member board of commissioners appointed by the Caddo Parish Commission. The Board of Commissioners received no compensation during November 1, 2004 through December 31, 2005. The district is responsible for maintaining and operating fire stations and equipment and providing fire protection within the boundaries of the district.

(1) Summary of Significant Accounting Policies

The Caddo Parish Fire District No. 2's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Caddo Parish Fire District No. 2 are discussed below.

A. Reporting Entity

The district is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Caddo Parish Fire District No. 2's basic financial statements include both government-wide (reporting the funds maintained by the Caddo Parish Fire District No. 2 as a whole) and fund financial statements (reporting the Caddo Parish Fire District No. 2's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Caddo Parish Fire District No. 2's general fund, capital projects fund, and debt service fund are classified as governmental activities. The Caddo Parish Fire District No. 2 does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The Caddo Parish Fire District No. 2's net assets are reported in three parts – invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Caddo Parish Fire District No. 2's functions. The functions are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, operating, and capital grants, which must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenues.

This government-wide focus is more on the sustainability of the Caddo Parish Fire District No. 2 as an entity and the change in the Caddo Parish Fire District No. 2's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Caddo Parish Fire District No. 2 are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Caddo Parish Fire District No. 2:

Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Caddo Parish Fire District No. 2:

- a. General funds are the general operating funds of the Caddo Parish Fire District No. 2. They are used to account for all financial resources except those required to be accounted for in another fund.
- b. The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- c. The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The district's general fund, debt service fund, and capital projects fund were determined to be major funds.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the Caddo Parish Fire District No. 2 consist principally of property taxes, service charges on property, other intergovernmental revenues, grants, donations, and interest income. Property taxes and service charges are billed and collected within the fiscal year in which the taxes are levied. Interest income is recorded when earned. Federal and state grants are recorded when the District is entitled to the funds, except for certain federal grants which require funds not expended to be returned to the funding source. On those grants revenue is recognized only upon expending those funds. Grant funds received but not expended are reflected in the financial statements as deferred revenue. Donations and other intergovernmental revenues are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. Budgets

The district uses the following budget practices:

1. A preliminary budget for the ensuing year is prepared by the Board of Commissioners in September of each year and is made available for public inspection.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. The budget is established and controlled by the Board of Commissioners at the object level of expenditure. All changes in the budget must be approved by the board.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

5. The budget is adopted on a cash basis for all funds. There were no amendments to the 2005 budget.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, interest-bearing demand deposits, and money market accounts.

Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or money market accounts with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are carried at cost, which approximates market.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 30 years
Rescue & fire trucks	10 – 30 years
Equipment	10 – 30 years

H. Deferred Bond Issuance Costs

In conjunction with the issuance of long-term debt for capital asset purchases, bond issuance costs were incurred. These costs are capitalized in the government-wide financial statements and amortized on a straight line basis over the term of the new bond issue. Included in interest expense for the fourteen month period ended December 31, 2005 was amortization of \$964.

I. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Compensated Absences

The district has adopted the leave policies set forth in Louisiana Revised Statutes 39:1995 – 1999. Full-time employees of the district earn from 18 to 30 days of vacation leave each year, depending upon their length of service. As of December 31, 2005, employees of the district had no accrued vacation leave. This amount must be taken by the employee's anniversary date or it is forfeited. It is, therefore, recorded as a current liability in the fund and government-wide financial statements.

Employees of the district are entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than 52 weeks. No accrual has been made for sick leave in the accompanying financial statements. The cost of sick leave is recognized as a current-year expenditure when leave is actually taken.

K. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

L. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The district's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(2) Levied Taxes

The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Operating	10.00	10.00	2013
Debt Service	variable	3.90	2022

(3) Cash and Cash Equivalents and Credit Risk

A. At December 31, 2005, the district had cash and cash equivalents (book balances) totaling \$249,748, as follows:

Petty cash	\$ 113
Demand deposits	8,197
Interest-bearing demand deposits	199,759
Time deposits	<u>41,679</u>
	<u>\$ 249,748</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$108,327 of the district's bank balances totaling \$250,007 were exposed to custodial credit risk as follows:

*Uninsured and collateral held by the pledging bank's
Trust department not in the district's name:*

Cash and cash equivalents	<u>\$108,327</u>
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Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(4) Capital Assets

Capital asset activity for the fourteen month period ended December 31, 2005, was as follows:

	Balance at Nov. 1, 2004	Additions	Deletions	Balance at Dec. 31, 2005
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 21,100	\$ -	\$ -	\$ 21,100
Construction in progress	52,498	-	52,498	-
Total capital assets, not being depreciated	73,598	-	(52,498)	21,100
Capital assets, being depreciated:				
Buildings	326,425	230,535	-	556,960
Equipment	156,270	103,898	-	260,168
Vehicles	648,993	17,359	-	666,352
Total capital assets, being depreciated at historical cost	1,131,688	351,792	-	1,483,480
Less accumulated depreciation:				
Buildings	(16,524)	(17,928)	-	(34,452)
Equipment	(101,278)	(28,267)	-	(129,545)
Vehicles	(205,504)	(33,011)	-	(238,515)
Total accumulated depreciation	(323,306)	(79,206)	-	(402,512)
Total capital assets, being depreciated, net	808,382	272,586	-	1,080,968
Governmental activities capital assets, net	\$ 881,980	\$ 272,586	\$(52,498)	\$ 1,102,068

Depreciation expense for the fourteen month period ended December 31, 2005, was \$79,206.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(5) Pension Plan

Certain employees of the District are members of the Louisiana Firefighters Retirement System (System), a cost-sharing multi-employer, defined benefit pension plan administered by a separate board of trustees. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent of their final-average salary for each year of credible service, not to exceed 100 percent of their final average salary. Final-average salary is the employee's average salary over the 36 consecutive months or joined months that produce the highest average. Employees who terminate with at least 12 years of service, and who do not withdraw their employee contributions, may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rates for the year ending December 31, 2005, were as follows: November 2004 through April 2005 – 24 percent; May 2004 through December 2005 – 18 percent. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the fourteen month period ending December 31, 2005, and for the years ended October 2004, and October 2003 were \$12,301, \$5,111, and \$5,353, respectively.

Other employees of the district who are not eligible to participate in the Firefighters' Retirement System are members of the Social Security System.

(6) Risk Management

The District purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(7) Long-term Debt

At December 31, 2005, long-term debt consisted of the following:

General Obligation Bonds –

Series 2003 General Obligation Bonds, dated April 1, 2003, due in annual installments of \$15,000 – \$40,000 through April 1, 2023; interest at 3.0% – 5%. The bonds are secured by and payable from ad valorem taxes.

\$ 485,000

Changes in long-term debt for the fourteen month period ended December 31, 2005 are summarized as follows:

	<u>Balance 10/31/04</u>	<u>Issues-- Additions</u>	<u>Payments-- Expenditures</u>	<u>Balance 12/31/05</u>	<u>Amount Due Within One Year</u>
Certificates of Indebtedness	<u>\$ 500,000</u>	<u>\$</u>	<u>\$(15,000)</u>	<u>\$ 485,000</u>	<u>\$ 15,000</u>

Annual requirements to retire long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 15,000	\$ 19,971	\$ 34,971
2007	20,000	19,096	39,096
2008	20,000	18,096	38,096
2009	20,000	17,096	37,096
2010	20,000	16,296	36,296
2011–2015	120,000	69,853	189,853
2016–2020	155,000	42,870	197,870
2021–2023	<u>115,000</u>	<u>7,988</u>	<u>122,988</u>
	<u>\$ 485,000</u>	<u>\$ 211,266</u>	<u>\$ 696,266</u>

(8) Interfund Balances

The interfund balance of \$15,457 is the result of entries needed to allocate the District's property tax millage between the general fund and the debt service fund.

(9) Contingency

The District is currently the defendant in one lawsuit. The ultimate outcome of the lawsuit cannot be determined at this time.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget (Cash Basis) and Actual
General Fund
For the Fourteen Month Period Ended December 31, 2005

	General Fund		
	Budget - Original and Final	Actual	Variance- Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 97,383	\$ 136,850	\$ 39,467
Service charge	110,500	89,171	(21,329)
Intergovernmental			
Fire insurance rebate	5,649	5,941	292
State revenue sharing	4,735	4,298	(437)
Homeland Security grant		189,342	189,342
Donations and other income	10,200	13,762	3,562
Interest income	4,252	13,032	8,780
Total revenues	232,719	452,396	219,677
Expenditures			
Current:			
General government		4,285	(4,285)
Public Safety	193,296	344,228	(150,932)
Capital outlay	20,100	108,987	(88,887)
Total expenditures	213,396	457,500	(244,104)
Excess of revenues over (under) expenditures	19,323	(5,104)	(24,427)
Fund balances at beginning of period		238,590	238,590
Fund balances at end of period	\$ 19,323	\$ 233,486	\$ 214,163

The accompanying notes are an integral part of this statement.

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Notes to Required Supplementary Information
December 31, 2005

The District's budget is adopted on a cash basis for all funds. There were no amendments to the 2005 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ (5,104)
Adjustments:	
Revenue accruals – net	136,148
Expenditure accruals – net	<u>36,309</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 167,353</u>

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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Commissioners
Caddo Parish Fire District No. 2

We have audited the basic financial statements of Caddo Parish Fire District No. 2 as of and for the fourteen month period ended December 31, 2005, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caddo Parish Fire District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo Parish Fire District No. 2's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards*, and are described in the accompanying schedule of findings as item numbers 2005-1, 2005-2, 2005-3, and 2005-4.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
September 21, 2006

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Summary Schedule of Audit Findings
December 31, 2005

Summary Schedule of Prior Audit Findings

There were no management letter comments for the prior year audit for the year ended October 31, 2004. There was one finding for the prior year audit for the year ended October 31, 2004, as follows:

Late Submission of Audit Report

Reference No:	2004-1
Description of Finding:	Caddo Parish Fire District No. 2 did not submit its audit report for the year ended October 31, 2004 within six months of its year end as required by state law.
Current Status:	See finding 2005-1.

Corrective Action Plan for Current Year Audit Findings

There are no management letter comments for the current year audit for the fourteen month period ended December 31, 2005. There are four findings for the current year audit for the fourteen month period ended December 31, 2005, as follows:

Late Submission of Audit Report

Reference No:	2005-1
Description of Finding:	Caddo Parish Fire District No. 2 did not submit its audit report for the fourteen-month period ended December 31, 2005 within six months of its year end as required by state law.
Corrective Action Planned:	The District will make every effort necessary to complete and submit its audit within six months after year end.
Name of Contact Person:	Chief Harry Lowery

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Summary Schedule of Audit Findings
December 31, 2005
(Continued)

Debt Service Sinking Fund

Reference No: 2005--2

Description of Finding: During our audit, we noted that the District is required to establish a sinking fund into which they will deposit the proceeds of a special tax millage, with said funds to be used for the payment of principal and interest on the District's general obligation bonds. We noted that a debt service checking account had been established; however, it was not being appropriately funded. The portion of the District's property tax millage levied for the debt service was not being deposited into said fund.

Recommendation: We recommend that the District comply with the sinking fund requirements and appropriately separate the property tax millage levied for the debt.

Corrective Action Planned: The District will comply with the Debt Service Sinking Fund requirements and appropriately separate property tax millage levied for the debt.

Name of Contact Person: Chief Harry Lowery

Adoption of Budget

Reference No: 2005--3

Description of Finding: During our audit, we noted that there were no minutes available indicating adoption of the budget for the fourteen-month period ended December 31, 2005.

Recommendation: We recommend that the District retain appropriate documentation to support adoption of its budget.

Corrective Action Planned: October 2004 minutes of the Board Meeting of Caddo Parish Fire District Two were not typed. This was the only meeting during this period that this occurred. Caddo Parish Fire District Two will take appropriate action to correct this in the future.

Name of Contact Person: Chief Harry Lowery

(Continued)

Caddo Parish Fire District No. 2
Shreveport, Louisiana
Summary Schedule of Audit Findings
December 31, 2005
(Continued)

Budget Amendment

Reference No:	2005-4
Description of Finding:	The District did not amend its budget in accordance with the Local Government Budget Act. Total actual expenditures exceeded budgeted expenditures by five percent or more.
Corrective Action Planned:	Caddo Parish Fire District Two failed to amend their budget when a FEMA Grant was received. Caddo Parish Fire District Two will take appropriate action to amend their budget in the future to comply with local Government Budget Act.
Name of Contact Person:	Chief Harry Lowery